

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Inland Lakes Schools	County Cheboygan
Audit Date 6/30/05	Opinion Date 8/12/05	Date Accountant Report Submitted to State: 11/11/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

- 1 We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
- 2 We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1 Certain component units/funds/agencies of the local unit are excluded from the financial statements
- ☐ Yes ☒ No 2 There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3 There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended)
- ☐ Yes ☒ No 4 The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5 The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6 The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7 The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year)
- ☐ Yes ☒ No 8 The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241)
- ☐ Yes ☒ No 9 The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 902 S. Huron Street, PO Box 250	City Cheboygan	State MI	ZIP 49721
Accountant Signature <i>Annette Eustice, CPA, CGFM</i>		Date 11/11/05	

INLAND LAKES SCHOOLS
INDIAN RIVER, MICHIGAN



AUDITED FINANCIAL STATEMENTS

JUNE 30, 2005

INLAND LAKES SCHOOLS
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FOR THE YEAR ENDED JUNE 30, 2005

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INDEPENDENT AUDITORS' REPORT

August 12, 2005

Board of Education
Inland Lakes Schools
Indian River, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of ***Inland Lakes Schools***, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of ***Inland Lakes Schools***' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ***Inland Lakes Schools*** as of June 30, 2005, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2005 on our consideration of ***Inland Lakes Schools***' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages I-VI is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the ***Inland Lakes Schools*** basic financial statements. The combining and other supplementary data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of ***Inland Lakes Schools***. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of ***Inland Lakes Schools***. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Inland Lakes Schools (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$1,000,594 *net assets (deficit)*. This deficit consists of investments in capital assets, net of related debt of (\$2,414,202), unrestricted net assets of \$1,050,946, which may be used to meet the District's ongoing obligations, and \$362,662 is restricted for debt service.
- The District's total net assets (deficit) decreased by \$267,467.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,502,863, a decrease of \$1,671 in comparison with the prior year. Approximately 76%, or \$1,140,201, is *available for spending* at the District's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,010,006 or 12% percent of total General Fund expenditures and transfers out.
- The District incurred \$58,845 in new debt in order to purchase a bus and made principal payments on its bonds and notes of \$575,187 during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets (deficit)* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets (deficit)*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused sick or vacation leave).

Both of the District-wide financial statements present activities of the District that are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include instruction, supporting services, community services, food service, athletics and other transactions. The District has no business-type activities as of and for the year ended June 30, 2005.

The District-wide financial statements can be found on pages 3-4 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund herein to demonstrate compliance with that budget.

The basic governmental funds financial statements can be found on pages 5-9 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are *not* available to support the District's own programs.

The fiduciary fund financial statement can be found on page 10 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 11-23 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining fund statements and schedules can be found on pages 24-25 of this report.

District-wide Financial Analysis

As noted earlier, net assets (deficit) may serve over time as a useful indicator of a government's financial position. In the case of the District, its liabilities exceeded assets by \$1,000,594 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (deficit) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, equipment, and vehicles), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the students within the district; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of \$362,662 of the District's net assets (deficit) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,050,946 is *unrestricted net assets*.

Inland Lakes Schools Condensed Statement of Net Assets (Deficit)

	<u>2005</u>	<u>2004</u>
Assets		
Current and other assets	\$ 3,339,187	\$ 3,412,991
Capital assets, net	<u>5,929,927</u>	<u>6,229,830</u>
Total assets	<u>9,269,114</u>	<u>9,642,821</u>
Liabilities		
Other liabilities	1,687,697	2,374,717
Long-term liabilities outstanding	<u>8,582,011</u>	<u>8,536,165</u>
Total liabilities	<u>10,269,708</u>	<u>10,910,882</u>
Net assets (deficit)		
Invested in capital assets, net of related debt	(2,414,202)	(2,630,641)
Restricted	362,662	399,228
Unrestricted	<u>1,050,946</u>	<u>963,352</u>
Total net assets (deficit)	<u>\$ (1,000,594)</u>	<u>\$ (1,268,061)</u>

The District's net assets (deficit) decreased by \$267,467 during the current fiscal year. Most of this decrease was due to State Aid not being prorated and careful fiscal management. Included in the current fiscal year was a decrease in the foundation allowance funding by the State of Michigan to \$6,700 per student. The District's blended enrollment is approximately 1,707.6 students.

**Inland Lakes Schools
Condensed Statement of Activities**

	<u>2005</u>	<u>2004</u>
Revenues		
Program revenues		
Charges for services	\$ 221,356	\$ 247,558
Operating grants and contributions	5,278,221	5,667,352
General revenues		
Property taxes	3,832,606	3,507,917
Other	<u>51,415</u>	<u>37,635</u>
Total revenues	<u>9,383,598</u>	<u>9,460,462</u>
Expenses		
Instruction	5,229,533	5,741,517
Supporting services	2,432,132	2,230,323
Community services	68,996	78,178
Food service	361,641	360,038
Athletics	191,009	198,690
Other transactions	76,523	75,146
Interest on long-term debt	363,347	530,023
Depreciation – unallocated	<u>392,950</u>	<u>379,968</u>
Total expenses	<u>9,116,131</u>	<u>9,593,883</u>
Change in net assets	267,467	(133,420)
Net assets (deficit), beginning of year, as restated in 2004	<u>(1,268,061)</u>	<u>(1,134,641)</u>
Net assets (deficit), end of year	<u>\$ (1,000,594)</u>	<u>\$ (1,268,061)</u>

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,502,863, a decrease of \$1,671 in comparison with the prior year. Approximately 76% or \$1,140,201 of this total amount constitutes *unreserved fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *reserved* to indicate that it is not available to fund current expenditures.

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,010,006. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 12% of total General Fund expenditures including transfers out.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were due to conservative preliminary calculations in economically unstable times. The original budget included an anticipated \$100 per pupil reduction of State Aid which did not occur. Certain expenditures such as increases in utilities and diesel fuel proved to be lower than anticipated. As additional information became known as to state and federal funding during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various District programs.

Capital Asset and Long-term Debt

Capital assets. The District's investment in capital assets as of June 30, 2005, amounted to \$5,929,927 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, equipment and vehicles.

District's Capital Assets (net of depreciation, when applicable)	
Land and improvements	\$ 1,407,101
Buildings and improvements	3,921,685
Equipment	279,955
Vehicles	<u>321,186</u>
Total	<u>\$ 5,929,927</u>

Additional information on the District's capital assets can be found in Note III C on page 17 of this report.

Long-term debt. At the end of the current fiscal year, the District had total bonded debt, installment contracts, accrued compensated absences and retirement payable outstanding of \$8,582,011. Of this amount, \$38,834 are "Durant Bonds" which are not a general obligation of the District and do not constitute an indebtedness of the District within any constitutional or statutory limitations, and is payable solely by the State of Michigan.

The District incurred \$58,845 in new debt in order to purchase a new bus and made principal payments on its bonds and notes of \$575,187 during the year.

The District offered an early retirement buyout to its teachers during the year ending June 30, 2004. Seven teachers took advantage of this incentive, which will be paid over three years at \$84,000 per year.

Additional information on the District's long-term debt can be found in Note III F on pages 19-21 of this report.

Factors Bearing on the District's Future

The following factors were considered in preparing the District's budget for the 2005-2006 fiscal year:

- Increase of foundation allowance funding of \$135 per pupil (\$6,835 per pupil).
- Enrollment based on five less pupils for a full time equivalent count of 1,101.85.
- Health insurance increases of 12.4% for teachers, 11.6% for support staff, and 5.74% for administration.
- Employer paid retirement cost increase of 1.47% (from 14.87% to 16.34%).
- Reduction of another 7.5% of all controllable costs.
- Increase of 25% for diesel and 10% for natural gas.
- Staffing changes includes addition of one full-time elementary teacher and two special education aides.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Inland Lakes Schools
Superintendent of Schools
5243 S. Straits Hwy.
Indian River, MI 49749

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

INLAND LAKES SCHOOLS

STATEMENT OF NET ASSETS (DEFICIT) GOVERNMENTAL ACTIVITIES

JUNE 30, 2005

Assets

Current assets

Cash and cash equivalents	\$ 2,182,021
Receivables	1,009,608
Inventory	<u>5,613</u>

Total current assets **3,197,242**

Other	141,945
Capital assets not being depreciated	160,000
Capital assets being depreciated, net	<u>5,769,927</u>

Total assets **9,269,114**

Liabilities

Current liabilities

Accounts payable and accrued expenses	1,281,508
Deferred revenue	167,745
State-aid note	238,444
Current portion of long-term debt	<u>691,014</u>

Total current liabilities **2,378,711**

Noncurrent portion of long-term debt **7,890,997**

Total liabilities **10,269,708**

Net assets

Invested in capital assets, net of related debt	(2,414,202)
Restricted for debt service	362,662
Unrestricted	<u>1,050,946</u>

Total net assets (deficit) **\$ (1,000,594)**

The accompanying notes are an integral part of these basic financial statements.

INLAND LAKES SCHOOLS

STATEMENT OF ACTIVITIES GOVERNMENTAL ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Instruction	\$ 5,229,533	\$ 16,915	\$ 4,989,426	\$ (223,192)
Supporting services	2,432,132	38,120	24,062	(2,369,950)
Community services	68,996	-	68,996	-
Food service	361,641	135,032	195,737	(30,872)
Athletics	191,009	31,289	-	(159,720)
Other transactions	76,523	-	-	(76,523)
Interest on long-term debt	363,347	-	-	(363,347)
Depreciation and amortization - unallocated	392,950	-	-	(392,950)
Total governmental activities	\$ 9,116,131	\$ 221,356	\$ 5,278,221	(3,616,554)
General revenues				
Property taxes - operations				3,072,822
Property taxes - debt service				759,784
Other				5,051
Unrestricted investment earnings				46,364
Total general revenues				3,884,021
Change in net assets				267,467
Net assets (deficit), beginning of year				(1,268,061)
Net assets (deficit), end of year				\$ (1,000,594)

The accompanying notes are an integral part of these basic financial statements.

FUND FINANCIAL STATEMENTS

INLAND LAKES SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

	General	Non-Major Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,782,416	\$ 399,605	\$ 2,182,021
Accounts receivable	3,750	-	3,750
Due from other funds	41,668	130,194	171,862
Due from other governmental units	967,024	38,834	1,005,858
Inventory	-	5,613	5,613
Total assets	\$ 2,794,858	\$ 574,246	\$ 3,369,104
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 239,861	\$ 887	\$ 240,748
Salaries payable	641,417	-	641,417
Accrued expenses	285,942	-	285,942
Due to other funds	130,194	41,668	171,862
Due to other governmental units	63,014	-	63,014
Deferred revenue	185,980	38,834	224,814
State-aid note	238,444	-	238,444
Total liabilities	1,784,852	81,389	1,866,241
Fund balances			
Reserved			
Debt service	-	362,662	362,662
Unreserved			
Designated			
Subsequent year's expenditures	329,587	-	329,587
Capital projects	-	130,194	130,194
Undesignated Special Revenue Funds	-	1	1
Undesignated General Fund	680,419	-	680,419
Total fund balances	1,010,006	492,857	1,502,863
Total liabilities and fund balances	\$ 2,794,858	\$ 574,246	\$ 3,369,104

Continued...

INLAND LAKES SCHOOLS

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2005

Reconciliation of fund balances on the balance sheet for governmental funds to net assets of governmental activities on the statement of net assets

Fund balances - total governmental funds	\$ 1,502,863
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Amounts reported for governmental activities in the statement of net assets (deficit) are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds

Add	- capital assets	11,453,613
Deduct	- accumulated depreciation	(5,523,686)

The focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Add	- deferred revenues related to Durant settlement	57,069
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Add	- bond issuance assets	141,945
Deduct	- bonds and notes payable	(8,344,129)
	- early retirement buyout	(168,000)
	- compensated absences	(69,882)
	- accrued interest on bonds payable	(50,387)

Net assets (deficit) of governmental activities	<u>\$ (1,000,594)</u>
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Concluded

The accompanying notes are an integral part of these basic financial statements.

INLAND LAKES SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	General	Non-Major Funds	Total
Revenues			
Local sources			
Property taxes	\$ 3,072,822	\$ 759,784	\$ 3,832,606
Tuition	740	-	740
Charges for services	55,035	157,784	212,819
Interest income	39,956	6,408	46,364
Other income	15,210	5,475	20,685
State sources	4,536,531	24,320	4,560,851
Federal sources	349,243	179,954	529,197
Interdistrict sources	192,987	-	192,987
Total revenues	8,262,524	1,133,725	9,396,249
Expenditures			
Instruction	5,290,062	-	5,290,062
Supporting services	2,566,805	-	2,566,805
Community services	68,996	-	68,996
Food service	-	360,565	360,565
Athletics	-	166,752	166,752
Other transactions	76,523	-	76,523
Debt service			
Principal	85,187	490,000	575,187
Interest and other fiscal charges	39,552	312,323	351,875
Total expenditures	8,127,125	1,329,640	9,456,765
Revenues over (under) expenditures	135,399	(195,915)	(60,516)
Other financing sources (uses)			
Loan proceeds	58,845	-	58,845
Transfers in	-	164,825	164,825
Transfers out	(164,825)	-	(164,825)
Total other financing sources (uses)	(105,980)	164,825	58,845
Changes in fund balances	29,419	(31,090)	(1,671)
Fund balances, beginning of year	980,587	523,947	1,504,534
Fund balances, end of year	\$ 1,010,006	\$ 492,857	\$ 1,502,863

Continued...

INLAND LAKES SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities

Net change in fund balances - total governmental funds	\$	(1,671)
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Amounts reported for governmental activities in the statement of activities is different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add	- capital outlay	113,098
Deduct	- depreciation	(406,429)
	- net effect of sales of capital assets	(6,572)

Governmental funds report bond refunding costs as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as amortization expense.

Deduct	-amortization on bond refunding costs	(12,903)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct	- receipts related to Durant settlement	(6,079)
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add	- principal payments on long-term liabilities	575,187
Deduct	- note proceeds	(58,845)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add	- decrease in the accrual for early retirement buyout	84,000
Deduct	- increase in accrued interest payable on bonds and notes	(11,473)
	- increase in the accrual for compensated absences	(846)

Change in net assets of governmental activities	\$	<u>267,467</u>
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Concluded

The accompanying notes are an integral part of these basic financial statements.

INLAND LAKES SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Budget			Variance - Positive (Negative) Amended to Actual
	Original	Amended	Actual	Actual
Revenues				
Local sources	\$ 3,173,387	\$ 3,160,735	\$ 3,183,763	\$ 23,028
State sources	4,364,487	4,577,639	4,536,531	(41,108)
Federal sources	233,896	325,703	349,243	23,540
Interdistrict sources	171,045	189,407	192,987	3,580
Total revenues	7,942,815	8,253,484	8,262,524	9,040
Expenditures				
Education				
Instruction	5,297,710	5,331,973	5,290,062	41,911
Supporting services	2,618,240	2,622,066	2,566,805	55,261
Community services	-	71,932	68,996	2,936
Other transactions	91,040	76,715	76,523	192
Debt service				
Principal payments	109,300	86,000	85,187	813
Interest and paying agent fees	68,800	45,000	39,552	5,448
Total expenditures	8,185,090	8,233,686	8,127,125	106,561
Revenues over (under) expenditures	(242,275)	19,798	135,399	115,601
Other financing sources (uses)				
Loan proceeds	59,000	59,000	58,845	(155)
Transfers out	(151,116)	(159,511)	(164,825)	(5,314)
Total other financing sources (uses)	(92,116)	(100,511)	(105,980)	(5,469)
Changes in fund balance	(334,391)	(80,713)	29,419	110,132
Fund balance, beginning of year	980,587	980,587	980,587	-
Fund balance, end of year	\$ 646,196	\$ 899,874	\$ 1,010,006	\$ 110,132

The accompanying notes are an integral part of these basic financial statements.

INLAND LAKES SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS

JUNE 30, 2005

Assets

Cash and cash equivalents	\$ 67,404
Investments	22,279
Accounts receivable	<u>15,191</u>

Total assets	<u><u>\$ 104,874</u></u>
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Liabilities

Due to student groups	48,108
Scholarships payable	34,188
Due to others	<u>22,578</u>

Total liabilities	<u><u>\$ 104,874</u></u>
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The accompanying notes are an integral part of these basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

INLAND LAKES SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Inland Lakes Schools (the “District”) has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the District financial statements only. The criteria for including a component unit include significant operational or financial relationships with the District.

B. District-wide and fund financial statements

The District-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no *business-type activities* during the year ended 2005.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

INLAND LAKES SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or within one year for reimbursement grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the District reports the following fund types:

The *Special Revenue Funds* account for the food service and athletic programs sponsored by the District.

The *Debt Service Funds* account for the principal and interest payments on these bonds used to finance various construction projects in the District.

The *Capital Project Fund* accounts for the financial resources used for the acquisition or construction of major capital facilities.

The *Agency Fund* accounts for assets held for other groups and organizations and is custodial in nature.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the District-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

INLAND LAKES SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The effect of interfund activity has been eliminated from the District-wide financial statements.

D. Assets, liabilities and equity

1. *Deposits and investments*

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value.

2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). There were no interfund advances outstanding at June 30, 2005.

3. *Inventory*

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

4. *Capital assets*

Capital assets, which include property and equipment, are reported in the governmental activities column in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

INLAND LAKES SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	10-50
Equipment	5-20
Vehicles	8

5. *Compensated absences*

District policy permits certain employees to accumulate earned but unused sick pay benefits which are paid when the employee separates from service with the District. A liability is recorded in the District-wide financial statements for such amounts. No liability is recorded for accumulated vacation since hours earned do not vest.

6. *Long-term obligations*

In the District-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets (deficit). Where applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

INLAND LAKES SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The General and Special Revenue Funds are under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget as originally adopted or as amended by the Board of Education. The budgets for the General and Special Revenue Funds are adopted on a functional basis.

B. Excess of expenditures over appropriations

Expenditures in excess of budgeted amounts at the legal level of control are disclosed in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

A reconciliation of cash and cash equivalents and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets follows:

Statement of Net Assets	
Cash and cash equivalents	\$ 2,182,021
Statement of Fiduciary Net Assets	
Agency Funds	
Cash and cash equivalents	67,404
Investments	<u>22,279</u>
Total cash and cash equivalents and investments	<u>\$ 2,271,704</u>

The above balance is classified totally as deposits for disclosure purposes.

INLAND LAKES SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned. State law does not require and the District does not have a policy for deposit custodial risk. As of the year ended June 30, 2005, \$2,049,425 of the District's bank balance of \$2,379,468 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Michigan law authorizes the District to deposit and invest in:

- (a) Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills, or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- (b) Certificates of deposit insured by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.
- (c) Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- (d) Securities issued or guaranteed by agencies or instrumentalities of the United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- (e) Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- (f) Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district

B. Receivables

Receivables for the District are substantially all due from other governments.

INLAND LAKES SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

C. Capital assets

Capital assets activity was as follows for the year ended June 30, 2005:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2005</u>
Capital assets not being depreciated				
Land	\$ 160,000	\$ -	\$ -	\$ 160,000
Capital assets being depreciated				
Buildings and improvements	7,122,136	13,346	-	7,135,482
Land improvements	2,489,966	-	-	2,489,966
Equipment	743,492	40,907	-	784,399
Vehicles	<u>887,246</u>	<u>58,845</u>	<u>(62,325)</u>	<u>883,766</u>
Total capital assets being depreciated	<u>11,242,840</u>	<u>113,098</u>	<u>(62,325)</u>	<u>11,293,613</u>
Accumulated depreciation				
Buildings and improvements	(3,119,414)	(94,383)	-	(3,213,797)
Land improvements	(1,118,367)	(124,498)	-	(1,242,865)
Equipment	(408,178)	(96,266)	-	(504,444)
Vehicles	<u>(527,051)</u>	<u>(91,282)</u>	<u>55,753</u>	<u>(562,580)</u>
Total accumulated depreciation	<u>(5,173,010)</u>	<u>(406,429)</u>	<u>55,753</u>	<u>(5,523,686)</u>
Total capital assets being depreciated, net	<u>6,069,830</u>	<u>(293,331)</u>	<u>(6,572)</u>	<u>5,779,927</u>
Governmental activities capital assets, net	<u>\$6,229,830</u>	<u>\$ (293,331)</u>	<u>\$ (6,572)</u>	<u>\$5,929,927</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities	
Food service	\$ 2,126
Athletics	24,257
Depreciation – unallocated	<u>380,046</u>
Total depreciation expense governmental activities	<u>\$ 406,429</u>

INLAND LAKES SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS

D. Accounts payable and accrued expenses

The composition of accounts payable and accrued expenses is as follows as of June 30, 2005:

Accounts payable	\$ 291,135
Salaries payable and related expenses	927,359
Due to other governmental units	<u>63,014</u>
Total payables and accrued expenses	<u>\$1,281,508</u>

E. Interfund receivables, payables and transfers

The following balances represent individual fund interfund receivables and payables at June 30, 2005:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Due To/From		
General fund	\$ 41,668	\$ 130,194
Nonmajor funds	<u>130,194</u>	<u>41,668</u>
Total	<u>\$ 171,862</u>	<u>\$ 171,862</u>

The District reports interfund balances between certain funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the year ended June 30, 2005, interfund transfers consisted of transfers from the General Fund to the Food Service and Athletics Special Revenue Funds of \$29,413 and \$135,412, respectively.

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

INLAND LAKES SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

F. Long-term debt

Long-term debt of the District consists of the following:

	Balance July 1, 2005	Increases	(Decreases)	Balance June 30, 2005	Due Within One Year
Bonds payable					
General obligation	\$8,635,000	\$ -	\$ (490,000)	\$8,145,000	\$ 530,000
Durant Settlement Bond	38,834	-	-	38,834	13,920
Notes payable	186,637	58,845	(85,187)	160,295	63,094
Early retirement	252,000	-	(84,000)	168,000	84,000
Compensated absences	69,036	6,639	(5,793)	69,882	-
Total long-term liabilities	<u>\$ 9,181,507</u>	<u>\$ 65,484</u>	<u>\$ (664,980)</u>	<u>\$ 8,582,011</u>	<u>\$ 691,014</u>

Long-term debt at June 30, 2005 includes the following:

2003 refunding of the 1995 Building and Site Construction Bonds, due through May 2016 in annual installments ranging from \$275,000 to \$865,000 with interest rates ranging from 2.0% to 3.9%. \$6,910,000

1993 Refunding Bonds, due through May 2010 in annual installments ranging from \$215,000 to \$260,000 with interest rates ranging from 4.70% to 5.20%. 1,235,000

1998 School Improvement Bonds (Durant Settlement), due through May 2013 in annual installments ranging from \$3,082 to \$13,920 plus interest charged at 4.76%. 38,834

Note payable to First Federal of Northern Michigan, secured by a bus, due in annual installments of \$17,036 through May 2008 plus interest charged at 3.49%. 51,108

INLAND LAKES SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS

Note payable to National City Bank, secured by a bus, due in annual installments of \$18,000 through May 2006 plus interest charged at 5.40%. \$ 18,000

2001 Boiler Installment Purchase Agreement, secured by equipment, due through May 2006 in annual installments of \$10,000 plus interest charged at 3.91%. 10,000

Note payable to National City Bank secured by a bus, due through May 2009 in annual installments of \$9,058 due plus interest charged at 2.49%. 36,187

Note payable to National City Bank, secured by a bus, due through May 2009 in annual installments ranging from \$9,000 to \$13,845 plus interest charged at 3.4%. 45,000

Early retirement buyout. 168,000

Accrued compensated absences. 69,882

Total **\$8,582,011**

Early retirement is payable through February 2007 at \$84,000 per year.

The Durant School Improvement Bonds are serviced from funds made available to Michigan School Districts by an annual appropriation by the Michigan State Legislature. If the Legislature does not appropriate the funding required, the District is not liable to pay the debt service. During the year ended June 30, 2003, the State postponed all Durant debt service requirements. No debt service was required for May 15, 2003, 2004, or 2005. The debt service payments will resume in 2006.

INLAND LAKES SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

The annual requirements to service the bonds and notes payable outstanding (not including accrued compensated absences or early retirement buyout) to maturity, including both principal and interest, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 607,014	\$ 308,544	\$ 915,558
2007	613,176	283,674	896,850
2008	653,323	263,361	916,684
2009	686,396	240,458	926,854
2010	737,544	212,569	950,113
2011-2015	4,181,676	636,227	4,817,903
2016	<u>865,000</u>	<u>33,736</u>	<u>898,736</u>
Total	<u>\$ 8,344,129</u>	<u>\$ 1,978,569</u>	<u>\$ 10,322,698</u>

Interest expense and paying agent fees were \$363,347 for the year ended June 30, 2005. The early retirement liability and compensated absences are generally liquidated by the General Fund.

During the year ended June 30, 2005, the District borrowed \$1,747,000 on a short-term State-aid note. The final payment of \$238,444 is included as a liability in the General Fund. This note carries an interest rate of 1.55% and is due July 21, 2005.

In prior years, the District defeased various general obligation bonds by placing the proceeds of new bonds in an escrow for the purpose of generating resources for all future debt service payments on the old bonds. As a result, the escrow account's assets and the defeased bonds have not been included in the District's financial statements. As of June 30, 2005 \$6,910,000 of bonds outstanding are considered defeased.

IV. OTHER INFORMATION

A. Risk management

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District has purchased commercial insurance for general liability, property and casualty and health claims and participates in the MASB/SET-SEG (risk pool) for claims relating to employee injuries/workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

INLAND LAKES SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

B. Property taxes

Property taxes are assessed as of December 31, and attach as an enforceable lien on property as of July 1 of the following year. Taxes are levied on July 1 by the municipalities within the District, and are due on February 14. Delinquent real taxes are advanced to the District by the revolving tax fund of the applicable County.

C. Defined benefit pension plan

Plan Description

The District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan, Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. Benefit provisions are established and must be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The current rate is 14.87% of annual covered payroll. The contribution requirements of plan members and the District are established by State statute and may be amended only by action of the State legislature. The District's contributions to MPERS for the years ended June 30, 2005, 2004 and 2003 were \$674,885, \$633,814, and \$609,141, respectively, equal to the required contributions for each year.

INLAND LAKES SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

Other Post-employment Benefits

Retirees have the option of health coverage, which is funded on a cash disbursement basis by the District. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

D. Commitments and Contingencies

Under the terms of various federal and state grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement of the grantor or regulatory agencies. However, management does not believe such disallowances, if any, would be material to the financial position of the district.

As is the case with other entities, the District faces exposure from potential claims and legal proceedings involving environmental matters. No such claims or proceedings have been asserted as of June 30, 2005.

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COMBINING FUND STATEMENTS

INLAND LAKES SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2005

		Special Revenue Funds	
		Food Service	Athletics
ASSETS			
Assets			
Cash and cash equivalents		\$ 28,276	\$ 8,667
Due from other funds		-	-
Due from other governmental units		-	-
Inventory		5,613	-
Total assets		\$ 33,889	\$ 8,667
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable		\$ 51	\$ 836
Salaries payable		-	-
Due to other funds		33,837	7,831
Deferred revenue		-	-
Total liabilities		33,888	8,667
Fund balances			
Reserved for debt service		-	-
Unreserved			
Designated for capital projects		-	-
Unreserved, undesignated		1	-
Total fund balances		1	-
Total liabilities and fund balances		\$ 33,889	\$ 8,667

Debt Service Funds				Total Nonmajor Governmental Funds
1993 Refunding Bonds	2003 Refunding Bonds	Durant Settlement	Capital Project	
\$ 113,189	\$ 249,473	\$ -	\$ -	\$ 399,605
-	-	-	130,194	130,194
-	-	38,834	-	38,834
-	-	-	-	5,613
\$ 113,189	\$ 249,473	\$ 38,834	\$ 130,194	\$ 574,246
\$ -	\$ -	\$ -	\$ -	\$ 887
-	-	-	-	-
-	-	-	-	41,668
-	-	38,834	-	38,834
-	-	38,834	-	81,389
113,189	249,473	-	-	362,662
-	-	-	130,194	130,194
-	-	-	-	1
113,189	249,473	-	130,194	492,857
\$ 113,189	\$ 249,473	\$ 38,834	\$ 130,194	\$ 574,246

INLAND LAKES SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Special Revenue Funds</u>	
	<u>Food Service</u>	<u>Athletics</u>
Revenues		
Local sources		
Property taxes	\$ -	\$ -
Charges for services	126,495	31,289
Interest income	384	51
Other income	-	-
State sources	24,320	-
Federal sources	179,954	-
Total revenues	<u>331,153</u>	<u>31,340</u>
Expenditures		
Food service	360,565	-
Athletics	-	166,752
Debt service		
Principal	-	-
Interest and fees	-	-
Total expenditures	<u>360,565</u>	<u>166,752</u>
Revenues over (under) expenditures	<u>(29,412)</u>	<u>(135,412)</u>
Other financing sources (uses)		
Transfers in	<u>29,413</u>	<u>135,412</u>
Changes in fund balance	<u>1</u>	<u>-</u>
Fund balance, beginning of year	-	-
Fund balance, end of year	<u><u>\$ 1</u></u>	<u><u>\$ -</u></u>

Debt Service Funds				Total Nonmajor Governmental Funds
1993 Refunding Bonds	2003 Refunding Bonds	Durant Settlement	Capital Project	
\$ 269,453	\$ 490,331	\$ -	\$ -	\$ 759,784
-	-	-	-	157,784
2,493	3,480	-	-	6,408
-	-	-	5,475	5,475
-	-	-	-	24,320
-	-	-	-	179,954
271,946	493,811	-	5,475	1,133,725
-	-	-	-	360,565
-	-	-	-	166,752
215,000	275,000	-	-	490,000
71,840	240,483	-	-	312,323
286,840	515,483	-	-	1,329,640
(14,894)	(21,672)	-	5,475	(195,915)
-	-	-	-	164,825
(14,894)	(21,672)	-	5,475	(31,090)
128,083	271,145	-	124,719	523,947
\$ 113,189	\$ 249,473	\$ -	\$ 130,194	\$ 492,857

OTHER SUPPLEMENTAL DATA

INLAND LAKES SCHOOLS

BALANCE SHEET GENERAL FUND

JUNE 30, 2005
(WITH COMPARATIVE BALANCES FOR JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 1,782,416	\$ 1,733,512
Accounts receivable	3,750	2,087
Due from other funds	41,668	39,818
Due from other governmental units	<u>967,024</u>	<u>1,034,771</u>
Total assets	<u>\$ 2,794,858</u>	<u>\$ 2,810,188</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 239,861	\$ 100,368
Salaries payable	641,417	661,897
Accrued expenses	285,942	344,771
Due to other funds	130,194	124,719
Due to other governmental units	63,014	201,302
Deferred revenue	185,980	154,274
State aid note	<u>238,444</u>	<u>242,270</u>
Total liabilities	<u>1,784,852</u>	<u>1,829,601</u>
Fund balance		
Unreserved		
Designated for subsequent year's expenditures	329,587	334,730
Undesignated	<u>680,419</u>	<u>645,857</u>
Total fund balance	<u>1,010,006</u>	<u>980,587</u>
Total liabilities and fund balance	<u>\$ 2,794,858</u>	<u>\$ 2,810,188</u>

INLAND LAKES SCHOOLS

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
Revenues		
Local sources		
Property taxes	\$ 3,072,822	\$ 2,742,697
Tuition	740	508
Charges for services	55,035	64,538
Interest	39,956	24,426
Other	15,210	12,904
Total local sources	<u>3,183,763</u>	<u>2,845,073</u>
State sources		
State aid	4,324,056	4,644,283
At-risk	171,016	156,083
Other	41,459	42,802
Total state sources	<u>4,536,531</u>	<u>4,843,168</u>
Federal sources		
Title I	197,840	196,132
Title II-A	60,461	60,960
Title II-D	4,469	4,968
Title V	3,284	902
Title VI	-	22,092
Workforce Improvement Act	68,996	80,039
Other	14,193	16,035
Total federal sources	<u>349,243</u>	<u>381,128</u>
Interdistrict sources	<u>192,987</u>	<u>210,039</u>
Other financing sources		
Loan proceeds	<u>58,845</u>	<u>54,348</u>
Total revenues and other financing sources	<u><u>\$ 8,321,369</u></u>	<u><u>\$ 8,333,756</u></u>

INLAND LAKES SCHOOLS

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
Expenditures		
Instruction		
Basic programs		
Elementary		
Salaries	\$ 915,048	\$ 915,161
Employee benefits	441,898	403,163
Purchased services	9,300	11,599
Supplies, materials and other expense	27,087	26,762
Total Elementary	<u>1,393,333</u>	<u>1,356,685</u>
Middle school		
Salaries	887,112	1,012,077
Employee benefits	424,575	453,546
Purchased services	7,862	14,330
Supplies, materials and other expense	44,964	23,817
Total middle school	<u>1,364,513</u>	<u>1,503,770</u>
High school		
Salaries	978,215	1,067,701
Employee benefits	479,698	443,251
Purchased services	11,198	17,428
Supplies, materials and other expense	72,274	71,495
Total high school	<u>1,541,385</u>	<u>1,599,875</u>
Total basic programs	<u>4,299,231</u>	<u>4,460,330</u>
Added needs		
Special education		
Salaries	326,469	333,707
Employee benefits	196,609	158,022
Purchased services	-	26,121
Supplies, materials and other expense	5,121	2,781
Total special education	<u>528,199</u>	<u>520,631</u>

Continued...

INLAND LAKES SCHOOLS

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

**FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)**

	<u>2005</u>	<u>2004</u>
Compensatory education		
Salaries	\$ 268,595	\$ 254,076
Employee benefits	136,585	135,898
Purchased services	22,547	30,852
Supplies, materials and other expense	10,887	35,267
Indirect cost recovery	2,250	2,311
	<u>440,864</u>	<u>458,404</u>
Total compensatory education		
Alternative education		
Salaries	17,230	16,586
Employee benefits	3,437	3,391
Supplies, materials and other expense	1,101	1,181
	<u>21,768</u>	<u>21,158</u>
Total alternative education		
Total added needs	<u>990,831</u>	<u>1,000,193</u>
Total instruction	<u>5,290,062</u>	<u>5,460,523</u>
Supporting services		
Pupil services		
Guidance services		
Salaries	51,394	69,592
Employee benefits	35,792	31,560
Purchased services	6,440	3,022
Supplies, materials and other expense	448	753
	<u>94,074</u>	<u>104,927</u>
Total guidance service		

Continued...

INLAND LAKES SCHOOLS

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
Driver's education		
Salaries	\$ 10,439	\$ 17,116
Employee benefits	2,386	2,805
Supplies, materials and other expense	3,344	2,958
Total driver's education	<u>16,169</u>	<u>22,879</u>
Total pupil services	<u>110,243</u>	<u>127,806</u>
Instructional staff services		
Library		
Salaries	51,400	59,565
Employee benefits	29,428	24,268
Purchased services	94	-
Supplies, materials and other expense	7,625	7,966
Capital outlay	196	408
Total library	<u>88,743</u>	<u>92,207</u>
Support services technology		
Salaries	47,501	47,479
Employee benefits	26,057	24,041
Purchased services	10,996	26,627
Supplies, materials and other expense	346	2,646
Capital outlay	93,619	82,376
Total support services technology	<u>178,519</u>	<u>183,169</u>
Total instructional staff services	<u>267,262</u>	<u>275,376</u>
General administration		
Board of education		
Salaries	2,040	1,880
Purchased services	29,033	39,443
Supplies, materials and other expense	9,121	4,891
Total board of education	<u>40,194</u>	<u>46,214</u>

Continued...

INLAND LAKES SCHOOLS

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

**FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)**

	<u>2005</u>	<u>2004</u>
Executive administration		
Salaries	\$ 120,790	\$ 117,931
Employee benefits	78,580	66,846
Purchased services	5,336	5,608
Supplies, materials and other expense	7,178	7,175
Capital outlay	284	-
	<u>212,168</u>	<u>197,560</u>
Total executive administration	<u>212,168</u>	<u>197,560</u>
Total general administration	<u>252,362</u>	<u>243,774</u>
School administration		
Office of the principal		
Salaries	289,131	280,422
Employee benefits	154,423	122,526
Purchased services	3,508	318
Supplies, materials and other expense	22,712	11,643
Capital outlay	1,113	-
	<u>470,887</u>	<u>414,909</u>
Total school administration	<u>470,887</u>	<u>414,909</u>
Business services		
Fiscal services		
Salaries	81,230	81,550
Employee benefits	49,529	45,572
Purchased services	23,337	22,340
Supplies, materials and other expense	18,303	22,339
	<u>172,399</u>	<u>171,801</u>
Total business services	<u>172,399</u>	<u>171,801</u>
Transportation		
Salaries	190,168	185,408
Employee benefits	109,104	81,490
Purchased services	21,997	14,971
Supplies, materials and other expense	76,434	66,286
Capital outlay	59,619	93,286
	<u>457,322</u>	<u>441,441</u>
Total transportation	<u>457,322</u>	<u>441,441</u>

Continued...

INLAND LAKES SCHOOLS

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2005
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2004)

	<u>2005</u>	<u>2004</u>
Operation and maintenance		
Salaries	\$ 294,864	\$ 316,714
Employee benefits	216,380	196,227
Purchased services	252,977	279,354
Supplies, materials and other expense	29,074	32,541
Capital outlay	43,035	10,715
Total operation and maintenance	<u>836,330</u>	<u>835,551</u>
Total supporting services	<u>2,566,805</u>	<u>2,510,658</u>
Community services		
Salaries	-	5,277
Employee benefits	24	370
Purchased services	58,484	67,694
Supplies, materials and other expense	10,488	4,837
Capital outlay	-	1,860
Total community services	<u>68,996</u>	<u>80,038</u>
Other transactions		
Transfer to other school district	<u>76,523</u>	<u>75,146</u>
Total operating expenditures	<u>8,002,386</u>	<u>8,126,365</u>
Debt service		
Principal	85,187	99,280
Interest and fiscal charges	39,552	34,014
Total debt service	<u>124,739</u>	<u>133,294</u>
Total expenditures	<u>8,127,125</u>	<u>8,259,659</u>
Other financing uses		
Transfers out	<u>164,825</u>	<u>150,767</u>
Total expenditures and other financing uses	<u>\$ 8,291,950</u>	<u>\$ 8,410,426</u>

Concluded

INLAND LAKES SCHOOLS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Balances July 1, 2004	Receipts	Disbursements	Balances June 30, 2005
ASSETS				
Cash and cash equivalents	\$ 59,397	\$ 112,651	\$ 104,644	\$ 67,404
Investments	22,657	-	378	22,279
Accounts receivable	16,938	-	1,747	15,191
Total assets	\$ 98,992	\$ 112,651	\$ 106,769	\$ 104,874
LIABILITIES				
Due to student groups	\$ 42,663	\$ 105,850	\$ 100,405	\$ 48,108
Scholarships payable	32,785	5,150	3,747	34,188
Due to others	23,544	1,651	2,617	22,578
Total liabilities	\$ 98,992	\$ 112,651	\$ 106,769	\$ 104,874
The balances at June 30, 2005 consist of the following				
Due to student groups				
Class of 2004	\$ 1,953	\$ -	\$ 1,953	\$ -
Class of 2005	1,420	19,206	20,626	-
Class of 2006	3,931	2,527	2,542	3,916
Class of 2007	(117)	2,463	1,652	694
Class of 2008	-	3,155	1,396	1,759
Band	7,935	23,484	20,651	10,768
CEPA/COATS	1,000	1,250	313	1,937
Donations	-	2,319	1,186	1,133
Drama Class	227	1,085	1,114	198
Elementary	3,686	6,405	3,948	6,143
Elementary Playground	1,516	-	-	1,516
French Club	-	1,800	1,800	-
General	8,117	13,301	13,984	7,434
Girls Athletic Association	3,507	9,039	11,648	898
Gym Mural	724	-	-	724
High School Student Council	1,632	3,691	4,122	1,201
Joy Brown Memorial	1,081	-	-	1,081
Library	-	1,150	721	429
High School Store	(435)	2,126	784	907
Middle School Student Council	2,486	3,776	3,334	2,928
Middle School Special Education	18	-	-	18
Middle School Store	527	3,769	4,069	227
National Honor Society	489	-	185	304
Science Club	175	-	-	175
Spanish Club	-	1,171	1,041	130
Students Against Drunk Drivers	576	-	-	576
Varsity Club	2,215	4,133	3,336	3,012
Sub-total due to student groups	42,663	105,850	100,405	48,108

Continued...

INLAND LAKES SCHOOLS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND

FOR THE YEAR ENDED JUNE 30, 2005

	Balances July 1, 2004	Receipts	Disbursements	Balances June 30, 2005
Scholarships payable				
Nicole Switzer Scholarship	\$ 252	\$ 3,403	\$ 2,000	\$ 1,655
Nadaeu Scholarship	15,595	1,747	-	17,342
Accounts receivable	16,938	-	1,747	15,191
Sub-total scholarships payable	32,785	5,150	3,747	34,188
Due to others				
Jan Granger Memorial Fund	(39)	1,310	1,307	(36)
Jan Granger School Improvement Fund	23,583	341	1,310	22,614
Sub-total due to others	23,544	1,651	2,617	22,578
Total deposits held for student groups	98,992	112,651	106,769	104,874
Total	\$ 98,992	\$ 112,651	\$ 106,769	\$ 104,874

Concluded

INLAND LAKES SCHOOLS

SCHEDULE OF INDEBTEDNESS

JUNE 30, 2005

	<u>Date of Note</u>	<u>Amount of Note</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Total Outstanding at June 30, 2005</u>	<u>Total Interest Payable</u>
2003 Refunding Bonds	11/20/03	\$ 7,245,000	2.000%	5/1/2006	\$ 290,000	\$ 234,982
			2.000%	5/1/2007	315,000	229,182
			2.500%	5/1/2008	365,000	222,882
			3.500%	5/1/2009	420,000	213,758
			3.250%	5/1/2010	485,000	199,058
			3.300%	5/1/2011	780,000	183,296
			3.500%	5/1/2012	815,000	157,556
			3.600%	5/1/2013	845,000	129,030
			3.700%	5/1/2014	865,000	98,610
			3.800%	5/1/2015	865,000	66,606
			3.900%	5/1/2016	865,000	33,736
					<u>\$ 6,910,000</u>	<u>\$ 1,768,696</u>

Continued....

Note: The bonds or portions of bonds in multiples of \$5,000, maturing on or after May 1, 2014, shall be subject to redemption prior to maturity, at the option of the issuer, in such order as the issuer may determine and by lot within any maturity, on any interest payment date on or after May 1, 2013, at par plus accrued interest to the date fixed for redemption.

INLAND LAKES SCHOOLS

SCHEDULE OF INDEBTEDNESS

JUNE 30, 2005

	<u>Date of Note</u>	<u>Amount of Note</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Total Outstanding at June 30, 2005</u>	<u>Total Interest Payable</u>
1993 Refunding Bonds	11/1/93	\$ 2,615,000	4.800%	5/1/2006	\$ 240,000	\$ 61,736
			4.900%	5/1/2007	260,000	50,216
			5.000%	5/1/2008	250,000	37,476
			5.100%	5/1/2009	245,000	24,976
			5.200%	5/1/2010	240,000	12,480
					<u>\$ 1,235,000</u>	<u>\$ 186,884</u>

Continued....

Note: The bonds or portions of bonds in multiples of \$5,000, maturing on or after May 1, 2004, shall be subject to redemption prior to maturity, at the option of the issuer, in such order as the issuer may determine and by lot within any maturity, on any interest payment date on or after May 1, 2003, at the redemption prices set forth in the following table:

<u>Redemption Period</u>	<u>Redemption Price</u>
May 1, 2003 through April 30, 2004	101.0%
May 1, 2004 through April 30, 2005	100.5%
May 1, 2005 and thereafter	100.0%

INLAND LAKES SCHOOLS

SCHEDULE OF INDEBTEDNESS

JUNE 30, 2005

	<u>Date of Note</u>	<u>Amount of Note</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Total Outstanding at June 30, 2005</u>	<u>Total Interest Payable</u>
1998 School	11/1/93	\$ 60,785	4.76%	5/1/2006	\$ 13,920	\$ 6,223
Improvement Bonds			4.76%	5/1/2007	3,082	1,186
(Durant Settlement)			4.76%	5/1/2008	3,229	1,039
			4.76%	5/1/2009	3,383	886
			4.76%	5/1/2010	3,544	725
			4.76%	5/1/2011	3,713	555
			4.76%	5/1/2012	3,889	380
			4.76%	5/1/2013	4,074	194
					<u>\$ 38,834</u>	<u>\$ 11,188</u>

Continued....

Note: This bond is not subject to redemption prior to maturity by the District.

INLAND LAKES SCHOOLS

SCHEDULE OF INDEBTEDNESS

JUNE 30, 2005

	<u>Date of Note</u>	<u>Amount of Note</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Total Outstanding at June 30, 2005</u>	<u>Total Interest Payable</u>
Bus notes payable						
2000 bus note payable	7/10/00	108,815	5.40%	5/1/2006	\$ 18,000	\$ 996
2002 bus note payable	7/12/2002	102,216	3.49%	5/1/2006	17,036	1,784
			3.49%	5/1/2007	17,036	1,189
			3.49%	5/1/2008	17,036	595
					51,108	3,568
2003 bus note payable	7/1/2003	54,348	2.49%	5/1/2006	9,058	902
			2.49%	5/1/2007	9,058	677
			2.49%	5/1/2008	9,058	451
			2.49%	5/1/2009	9,013	226
					36,187	2,256
2005 bus note payable	8/25/2004	58,845	3.40%	5/1/2006	9,000	1,530
			3.40%	5/1/2007	9,000	1,224
			3.40%	5/1/2008	9,000	918
			3.40%	5/1/2009	9,000	612
			3.40%	5/1/2010	9,000	306
					45,000	4,590
Total bus notes payable					150,295	11,410
2001 boiler note payable	11/21/01	50,000	3.91%	5/1/2006	10,000	391
Total notes payable					\$ 160,295	\$ 11,801

Concluded

INTERNAL CONTROL AND COMPLIANCE



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

August 12, 2005

Board of Education
Inland Lakes Schools
Indian River, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of *Inland Lakes Schools* (the "District") as of and for the year ended June 30, 2005, which collectively comprise the *Inland Lakes Schools'* basic financial statements and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition is described as follows:

Due to staff size, there is limited segregation of duties over cash receipts and disbursements and the recording of these transactions. The District recognizes this risk, but no change will be implemented because the costs would exceed the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

SINGLE AUDIT

INLAND LAKES SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title/Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued Revenue July 1, 2004
U.S. Department of Education			
Passed Through the Michigan Department of Education			
ECIA Title I			
41530-0304	84.010	\$ 205,026	\$ 39,901
51530-0405	84.010	175,849	-
Total Title I		380,875	39,901
Title V - Innovative Education			
050250-0405	84.298	3,284	-
Title II, Part D - Technology Literacy Challenge Grants			
054290-0405	84.318	4,469	-
Title II, Part A - Teacher/Principal Training & Recruiting			
040520-0304	84.367	60,960	29,628
050520-0405	84.367	60,461	-
Total Title II, Part A		121,421	29,628
Title VI - Rural & Low Income Schools			
030660-0304	84.358	22,092	6,526
Homeless Children and Youths			
042320-0304	84.196	10,540	4,947
Total Passed Through Michigan Department of Education		542,681	81,002
Passed Through ISD			
IDEA State Initiated - Competitive	84.027	3,349	-
Drug Free Schools	84.186	1,646	-
Homeless Children and Youths	84.196	3,287	-
Medicaid Administrative Outreach Claims	93.778	5,911	-
Total Passed Through ISD		14,193	-
Total U.S. Department of Education		556,874	81,002

(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts Cash Basis	Accrued Revenue June 30, 2005
\$ 183,036	\$ 21,991	\$ 61,892	\$ -
-	175,849	138,430	37,419
183,036	197,840	200,322	37,419
-	3,284	3,284	-
-	4,469	4,469	-
60,960	-	29,628	-
-	60,461	44,879	15,582
60,960	60,461	74,507	15,582
22,092	-	6,526	-
10,540	-	4,947	-
276,628	266,054	294,055	53,001
-	3,349	3,349	-
-	1,646	1,646	-
-	3,287	3,287	-
-	5,911	5,911	-
-	14,193	14,193	-
276,628	280,247	308,248	53,001

Continued...

INLAND LAKES SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title/Grant Number	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2004
U.S. Department of Labor			
Passed Through Northeast Michigan Consortium			
Workforce Investment Act 03/04	17.259	\$ 80,039	\$ 30,808
Workforce Investment Act 04/05	17.259	71,932	-
Total U.S. Department of Labor		\$ 151,971	30,808
U.S. Department of Agriculture			
Passed through Michigan Department of Education			
Entitlement Commodities	10.550	20,695	-
Bonus Commodities	10.550	928	-
Total		21,623	-
National School Lunch - Breakfast			
Breakfast - 41970	10.553	32,053	-
Breakfast - 51970	10.553	29,271	-
Total		61,324	-
National School Lunch			
Section 4 All Lunches - 41950	10.555	24,616	-
Section 11 Free & Reduced - 41960	10.555	107,427	-
Section 4 All Lunches - 51950	10.555	20,796	-
Section 11 Free & Reduced - 51960	10.555	96,099	-
Total		248,938	-
Passed through North East Michigan Community Service Agency, Inc.			
Child and Adult Care Food Program	10.558	8,537	-
Total U.S. Department of Agriculture		340,422	-
Total Federal Financial Awards		\$ 1,049,267	\$ 111,810

Notes to Schedule of Expenditures of Federal Awards

- 1) Basis of Presentation-
The Schedule of Expenditures of Federal Awards includes the federal grant activity of Inland Lakes Public Schools and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.
- 2) Management has utilized the Grants Section Auditors Report (Form 7120) in preparing the Schedule of Expenditures of Federal Awards.

(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2005
\$ 80,039	\$ -	\$ 30,808	\$ -
-	68,996	41,766	27,230
80,039	68,996	72,574	27,230
-	8,575	8,575	-
-	928	928	-
-	9,503	9,503	-
29,311	2,741	2,741	-
-	29,271	29,271	-
29,311	32,012	32,012	-
22,248	2,368	2,368	-
96,789	10,639	10,639	-
-	20,796	20,796	-
-	96,099	96,099	-
119,037	129,902	129,902	-
-	8,537	8,537	-
148,348	179,954	179,954	-
\$ 505,015	\$ 529,197	\$ 560,776	\$ 80,231

Continued...

INLAND LAKES SCHOOLS
RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

RECONCILIATION TO GRANT SECTION AUDITORS' REPORT

Current payments per the grant sections auditors' report	\$ 462,353
Less	
State funded grants	
Driver education	(4,774)
School breakfast program	(4,894)
Plus	
Amounts passed through	
COP Intermediate School District	14,193
Entitlement and bonus commodities	9,503
Northeast Michigan Community Service Agency, Inc.	8,537
Title V	3,284
Direct award from Department of Labor	<u>72,574</u>
Total current year receipts per schedule of expenditures of federal awards	<u>\$ 560,776</u>

Concluded



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

August 12, 2005

Board of Education
Inland Lakes Schools
Indian River, Michigan

Compliance

We have audited the compliance of ***Inland Lakes Schools*** with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. ***Inland Lakes Schools***' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of ***Inland Lakes Schools***' management. Our responsibility is to express an opinion on ***Inland Lakes Schools***' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ***Inland Lakes Schools***' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on ***Inland Lakes Schools***' compliance with those requirements.

In our opinion, ***Inland Lakes Schools*** complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of *Inland Lakes Schools* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Inland Lakes Schools'* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Board of Education, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

INLAND LAKES SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses? X yes _____ no

Noncompliance material to financial statements
noted? _____ yes X no

Federal Awards

Internal Control over major programs

Material weakness(es) identified? _____ yes X no

Reportable condition(s) identified
not considered to be material weaknesses? _____ yes X none reported

Type of auditors' report issued on compliance
for major programs Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? _____ yes X no

INLAND LAKES SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

August 12, 2005

Superintendent and Esteemed Members
of the Board of Education
Inland Lakes Schools
Indian River, Michigan

Through our role in performing financial statement services for the past three years, we have become familiar with your systems, operations and management team. As we work with our clients, we strive to provide direction and constructive feedback to help facilitate their success. The better we get to know you and your objectives, the more we can offer in terms of proactive advice.

In planning and performing our audit of the financial statements of ***Inland Lakes Schools*** for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during the above-mentioned engagement, we became aware of certain informational matters. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated August 12, 2005 on the financial statements of ***Inland Lakes Schools***.

We have already discussed these comments with the Superintendent, and we would be pleased to discuss them in further detail at your convenience.

If we can be of assistance, we hope you will view us as an integral part of your team.

Best wishes for a successful 2005-2006.

Encl.1

INLAND LAKES SCHOOLS
COMMENTS AND RECOMMENDATIONS
JUNE 30, 2005

NO CHILD LEFT BEHIND – REQUIREMENT REMINDER

No Child Left Behind Act (NCLB Act) enacted on January 8, 2002, required that all paraprofessionals hired after January 8, 2002 must have (1) completed two years of study at an institution of higher education; (2) obtained an associate's (or higher) degree; or (3) demonstrate, through a formal State or local academic assessment, knowledge of and the ability to assist in instructing reading, writing, and mathematics (or, as appropriate, reading readiness, writing readiness, and mathematics readiness). Paraprofessionals hired before January 8, 2002 and working in a program supported with Title I funds also must meet these requirements by January 8, 2006.

MICHIGAN FINANCE QUALIFYING STATEMENT

Beginning January 1, 2004, all governmental units subject to the Revised Municipal Finance Act (PA 34 of 2001) must submit their qualifying statement electronically using the Department of Treasury's website. The District is required to file this statement with the Department of Treasury by December 31, 2005.

ELECTRONICALLY FILING THE FINANCIAL STATEMENTS

Beginning with the fiscal year ended June 30, 2005, the District must submit their financial statements to the State of Michigan electronically. To do so, the financial statements must be created electronically in an Adobe Acrobat file. This file may also be forwarded to bond counsel for preparation of the SEC continuing disclosures and to the Michigan Department of Education to fulfill the District's annual reporting requirements. We will provide an electronic version of the financial statements for your use.

CONCLUSION

It has been a pleasure to provide audit services to *Inland Lakes Schools*. Management was well prepared for the audit, providing us with all requested information.

We appreciate your business! Thank you.

FORM **SF-SAC**
(5-2004)U.S. DEPT. OF COMM - Econ. and Stat. Admin.- U.S. CENSUS BUREAU
ACTING AS COLLECTING AGENT FOR
OFFICE OF MANAGEMENT AND BUDGET**Data Collection Form for Reporting on
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS
for Fiscal Year Ending Dates in 2004, 2005, or 2006**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**RETURN
TO****Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132****PART I****GENERAL INFORMATION (To be completed by auditee, except for Items 4 and 7)****1. Fiscal period ending date for this submission**Month Day Year
06 / 30 / 2005Fiscal Period End Dates Must
Be In 2004, 2005, or 2006**2. Type of Circular A-133 audit**1 ☒ Single audit 2 ☐ Program-specific audit**3. Audit period covered**1 ☒ Annual 2 ☐ Biennial 3 ☐ Other - Months**4. FEDERAL
GOVERNMENT
USE ONLY**Date received by
Federal clearinghouse**5. Auditee Identification Numbers****a. Primary Employer Identification Number (EIN)****3 8 - 6 0 0 7 9 1 2****b. Are multiple EINs covered in this report?** 1 ☐ Yes 2 ☒ No**c. If Part I, Item 5b = "Yes," complete Part I, Item 5c on the continuation sheet on Page 4****d. Data Universal Numbering System (DUNS) Number** - - **e. Are multiple DUNS covered in this report?** 1 ☐ Yes 2 ☐ No**f. If Part I, Item 5e = "Yes," complete Part I, Item 5f on the continuation sheet on Page 4****6. AUDITEE INFORMATION****a. Auditee name****INLAND LAKES SCHOOLS****b. Auditee address (Number and street)****5243 SOUTH STRAITS HIGHWAY**

City

INDIAN RIVER

State

ZIP + 4 Code

MI**4****9****7****4****9****-****0****0****0****0****0****0****0****0****0****0****0****0****0****0****0****0****0****c. Auditee contact**

Name

KRIS VIZINA

Title

FINANCE DIRECTOR**d. Auditee contact telephone****(231) 238 - 6868****e. Auditee contact FAX****() -****f. Auditee contact E-mail****g. AUDITEE CERTIFICATION STATEMENT -** This is to certify that, to the best of my knowledge and belief, the auditee has: (1) engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

Signature of certifying official

Date

Month Day Year

Kris Vizina**11 / 10 / 05**

Printed Name of certifying official

Kris Vizina

Printed Title of certifying official

Finance Director**7. AUDITOR INFORMATION (To be completed by auditor)****a. Auditor name****THE REHMANN GROUP****b. Auditor address (Number and street)****902 S. HURON ST., PO BOX 250**

City

CHEBOYGAN

State

ZIP + 4 Code

MI**c. Auditor contact**

Name

ANNETTE EUSTICE

Title

PRINCIPAL**d. Auditor contact telephone****(231) 627 - 3143****e. Auditor contact FAX****(231) 627 - 5787****f. Auditor contact E-mail****AEUSTICE@REHMANN.COM****9. AUDITOR STATEMENT -** The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 7, 8, and 9a-9f, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and **is not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of auditor

Date

Month Day Year

Annette Eustice, CPA, CGFM**11 / 10 / 05**

PART II**FINANCIAL STATEMENTS (To be completed by auditor)****1. Type of audit report**Mark either: 1 ☒ Unqualified opinion **OR**any combination of: 2 ☐ Qualified opinion 3 ☐ Adverse opinion 4 ☐ Disclaimer of opinion**2. Is a "going concern" explanatory paragraph included in the audit report?**1 ☐ Yes 2 ☒ No**3. Is a reportable condition disclosed?**1 ☒ Yes 2 ☐ No – *SKIP to Item 5***4. Is any reportable condition reported as a material weakness?**1 ☐ Yes 2 ☒ No**5. Is a material noncompliance disclosed?**1 ☐ Yes 2 ☒ No**PART III****FEDERAL PROGRAMS (To be completed by auditor)****1. Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending \$500,000 or more in Federal awards that have separate A-133 audits which are not included in this audit? (AICPA Audit Guide, Chapter 12)**1 ☐ Yes 2 ☒ No**2. What is the dollar threshold to distinguish Type A and Type B programs? (OMB Circular A-133 § .520(b))**

\$ 300,000

3. Did the auditee qualify as a low-risk auditee? (§ .530)1 ☒ Yes 2 ☐ No**4. Is a reportable condition disclosed for any major program? (§ .510(a)(1))**1 ☐ Yes 2 ☒ No – *SKIP to Item 6***5. Is any reportable condition reported as a material weakness? (§ .510(a)(1))**1 ☐ Yes 2 ☐ No**6. Are any known questioned costs reported? (§ .510(a)(3) or (4))**1 ☐ Yes 2 ☒ No**7. Were Prior Audit Findings related to **direct** funding shown in the Summary Schedule of Prior Audit Findings? (§ .315(b))**1 ☐ Yes 2 ☒ No**8. Indicate which **Federal** agency(ies) have current year audit findings related to **direct** funding or prior audit findings shown in the Summary Schedule of Prior Audit Findings related to **direct** funding. (Mark (X) all that apply or None)**98 ☐ U.S. Agency for International Development83 ☐ Federal Emergency Management Agency43 ☐ National Aeronautics and Space Administration96 ☐ Social Security Administration10 ☐ Agriculture39 ☐ General Services Administration89 ☐ National Archives and Records Administration19 ☐ U.S. Department of State23 ☐ Appalachian Regional Commission93 ☐ Health and Human Services05 ☐ National Endowment for the Arts20 ☐ Transportation11 ☐ Commerce97 ☐ Homeland Security06 ☐ National Endowment for the Humanities21 ☐ Treasury94 ☐ Corporation for National and Community Service03 ☐ Institute of Museum and Library Services47 ☐ National Science Foundation82 ☐ United States Information Agency12 ☐ Defense15 ☐ Interior07 ☐ Office of National Drug Control Policy64 ☐ Veterans Affairs84 ☐ Education16 ☐ Justice09 ☐ Small Business Administration00 ☒ **None**81 ☐ Energy17 ☐ Labor☐ Other – *Specify:*66 ☐ Environmental Protection Agency09 ☐ Legal Services Corporation

Each agency identified is required to receive a copy of the reporting package.

In addition, one copy each of the reporting package is required for:

- the Federal Audit Clearinghouse archives ☒
- and, if not marked above, the Federal cognizant agency ☐

Count total number of boxes marked above and submit this number of reporting packages

1

PART III FEDERAL PROGRAMS - Continued

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				10. AUDIT FINDINGS					
Federal Agency Prefix 1 (a)	CFDA Number Extension 2 (b)	Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)		Type(s) of compliance requirement(s) 4 (a)	Audit finding reference number(s) 5 (b)
						Major program	If yes, type of audit report 3 (h)		
8 4	.010	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE I	\$ 197,840 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	U	O	N/A
8 4	.298	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE V INNOVATIVE EDUCATION	\$ 3,284 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.318	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TECHNOLOGY LITERACY CHALLENGE	\$ 4,469 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.367	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	TITLE II PART A IMPROVING TEACHER QUALITY	\$ 60,461 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.196	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	HOMELESS CHILDREN AND YOUTHS	\$ 3,287 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.027	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	IDEA STATE INITIATED	\$ 3,349 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.186	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	DRUG FREE	\$ 1,646 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
8 4	.778	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	MEDICAID ADMINISTRATIVE OUTREACH CLAIMS	\$ 5,911 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
9 3	.259	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	WORKFORCE INVESTMENT ACT	\$ 68,996 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
1 7	.550	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ENTITLEMENT AND BONUS COMMODITIES	\$ 9,503 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No		O	N/A
TOTAL FEDERAL AWARDS EXPENDED				\$ 529,197 .00	IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS				

¹ See Appendix 1 of instructions for valid Federal Agency two-digit prefixes.

² Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available. (See Instructions)

³ If major program is marked "Yes," enter only one letter (U = Unqualified opinion, Q = Qualified opinion, A = Adverse opinion, D = Disclaimer of opinion) corresponding to the type of audit report in the adjacent box. If major program is marked "No," leave the type of audit report box blank.

⁴ Enter the letter(s) of all type(s) of compliance requirement(s) that apply to audit findings (i.e., noncompliance, reportable conditions (including material weaknesses), questioned costs, fraud, and other items reported under § 510(a)) reported for each Federal program.

- ⁵ N/A for NONE
- | | | | |
|------------------------------------|--|--|---------------------------------|
| A. Activities allowed or unallowed | E. Eligibility | I. Procurement and suspension and debarment | L. Reporting |
| B. Allowable costs/cost principles | F. Equipment and real property management | J. Program income | M. Subrecipient monitoring |
| C. Cash management | G. Matching, level of effort, earmarking | K. Real property acquisition and relocation assistance | N. Special tests and provisions |
| D. Davis - Bacon Act | H. Period of availability of Federal funds | | O. None |
| | | | P. Other |

PART III FEDERAL PROGRAMS - Continued**9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR**

CFDA Number		Research and development (c)	Name of Federal program (d)	Amount expended (e)	Direct award (f)	Major program (g)		If yes, type of audit report 3 (h)	10. AUDIT FINDINGS	
Federal Agency Prefix 1 (a)	Extension 2 (b)					1	2		Type(s) of compliance requirement(s) 4 (a)	Audit finding reference number(s) 5 (b)
1	0 .553	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NATIONAL SCHOOL LUNCH - BREAKFAST	\$ 32,012 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
1	0 .555	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	NATIONAL SCHOOL LUNCH	\$ 129,902 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
1	0 .558	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	CHILD AND ADULT CARE FOOD PROGRAM	\$ 8,537 .00	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			O	N/A
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No				
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No				
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No				
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No				
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No				
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No				
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No				
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No				
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No				
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$.00	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No				
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PART I Item 5 Continuation Sheet

c. List the multiple Employer Identification Numbers (EINs) covered in this report.

1	N / A	21	41	1	N / A	21
2	-	22	42	2	-	22
3	-	23	43	3	-	23
4	-	24	44	4	-	24
5	-	25	45	5	-	25
6	-	26	46	6	-	26
7	-	27	47	7	-	27
8	-	28	48	8	-	28
9	-	29	49	9	-	29
10	-	30	50	10	-	30
11	-	31	51	11	-	31
12	-	32	52	12	-	32
13	-	33	53	13	-	33
14	-	34	54	14	-	34
15	-	35	55	15	-	35
16	-	36	56	16	-	36
17	-	37	57	17	-	37
18	-	38	58	18	-	38
19	-	39	59	19	-	39
20	-	40	60	20	-	40

f. List the multiple DUNS covered in the report.

1	N / A	21
2	-	22
3	-	23
4	-	24
5	-	25
6	-	26
7	-	27
8	-	28
9	-	29
10	-	30
11	-	31
12	-	32
13	-	33
14	-	34
15	-	35
16	-	36
17	-	37
18	-	38
19	-	39
20	-	40

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS.